The Finance Club partnered with Dr. Michael McMillan to hold the 3rd annual CFA Open House at the DC Campus on October 24th. Three speakers addressed to the assembled students about the makeup and meaning of as well as the necessary preparation for the three-part CFA testing process. Twenty students and alumni attended the event, most of whom were Finance Club members. The Finance Department provided the group with food and refreshments.

An instructor in the Finance Department and member of the Council of Examiners of the CFA Institute, Dr. Michael McMillan has been a grader and a senior grader for the CFA exams for the past 13 years. In his presentation, he provided a brief history of his involvement with the CFA Institute and the CFA exam and showed a PowerPoint presentation, which can be accessed at http://web.jhu.edu/financeclub/Docs-Temporary/Event_2007-10-24_CFA_OpenHouse.pdf.

As underscored in each speaker’s presentation, the CFA is the gold standard for investment professionals. As stated in the Feb. 26, 2005 issue of The Economist, “Whereas there are tens of thousands of finance degrees available around the world, ranging from the excellent to the worthless, there is only one CFA...It used to be just an American qualification. But explosive growth has made it, in effect, global currency.” Because of the CFA’s prestige, the number of CFA charterholders has increased dramatically, from about 20,000 in 1996 to more than 75,000 in 2007. The purpose of the exam is to determine whether candidates possess the knowledge, skills, and abilities to succeed as investment professionals.

Why I Chose an MBA in Finance

By Judy Slater

As I prepare to finish my MBA in Finance this fall, I feel qualified and eager to recommend the finance as a concentration to Carey students. The Department attracts excellent professors who are dedicated educators as well as experienced finance practitioners. The finance concentration provides students an opportunity for in-depth study of up-to-date concepts, theories, analytic methods, and problem-solving techniques, components that emphasize the practical uses of these financial management principles in businesses, non-profit organizations, and government.

Students must pass several basic courses before they are allowed to take preferred electives. Electives include courses in accounting, financial management, investing, econometrics, derivatives, and others. There are many courses students can choose from but deciding what to take can be challenging so plan ahead; only certain classes are offered at certain campuses each semester. The electives, particularly Derivatives, Advanced Corporate Finance, and Advanced Corporate Finance: A Case Study Approach, are very popular.

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Industry Corner: Investing Today

By Zenora Khan

Mickey Mantle once said “If I knew I was going to live this long, I would have taken better care of myself.” I presume many of us will have similar sentiments when we reach middle age and retirement age, only we’ll be talking about our savings habits (or rather, our lack of a habit of saving) when we were younger.

In addition to all the other good reasons we come up with to avoid saving, we have today’s very uncertain markets. Is the economy growing or stalling? Are we facing inflation or stagnation? Even if we were disposed toward saving more (and even if we had the discretionary income that would allow it), what should we invest in? Energy? Pharma? Technology? Better to just wait until the picture clears up a bit. And while we’re waiting, there’s lots of spending we can do.

Wasn’t it easier ten or twenty years ago? Microsoft, Dell, and others seem like no-brainer investment choices at the time, in retrospect. But at the time, the picture was just as confused as it is today.

We can also take comfort from the fact that there are some basic, time-tested approaches to successful investing that we can learn from and apply, and be mindful that some of the “too good to be true” aspects of the so-called “new economy” are often just that. The “profits don’t matter” mantra of the dot-com boom, and the assumption behind the sub-prime fiasco that “risk disappears if it’s been repackaged and called something else,” asserted that economics had somehow changed and the old rules no longer applied. Old rules and techniques like “dollar-cost averaging” may not be exciting, but they can be practical, easy-to-follow ways to get started and generate some positive momentum toward building that nest egg.

I’d argue that it’s less important what you invest in, than that you invest in something, anything (within reason). Savings earning five percent rather than ten percent are still savings that will serve you well in the future.

Did You Know...

...how many points the Dow Jones Industrial Average (DJIA) would have to drop today to have the same effect as the 508 point drop experienced on “Black Monday” October 19, 1987?

The DJIA would have to drop over 3,000 points in a single day (presuming the index at its recent level of approximately 13,500) to correspond to the massive 22.6% decline that occurred on that day 20 years ago last month.

Market “circuit breakers” implemented soon afterward were largely successful, and the percentage decline on Black Monday remains the worst single day plunge in stock market history.

Finance Concentration from page 1

because they provide students with practical, hands-on tools to examine financial management industry trends and apply them to their current jobs or to jobs they will potentially obtain upon graduation. The financial statement and quantitative analysis courses also equip students with current modeling technology and financial methodologies to analyze complex problems.

The students who choose this concentration should be mentally motivated and committed to learning and already have a basic knowledge of accounting, economics, and finance. Knowing how to use a financial calculator and how to manipulate financial information in excel is also important. If you make a concerted effort to engage with fellow classmates as you go through the program, and choose teammates for projects who are dedicated team players, you will see that the rigorous and competitive atmosphere can work for you, and can actually be fun.

The finance concentration exposed me to the types of careers in the finance field including investment banking, financial advising, or financial management careers for the public and private financial institutions in Washington DC and New York City. It was very valuable to talk with the professors and the career counselors to assess which jobs would be appropriate and obtainable based on my skills and interests in a finance-based career.

Calendar of Events

The current calendar, seen below, is also on: http://web.jhu.edu/financeclub/events.html

<table>
<thead>
<tr>
<th>Date</th>
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<tr>
<td>2/23/2008</td>
<td>Sat</td>
<td>Wall Street Prep Mergers and Acquisitions (M&amp;A) Modeling</td>
</tr>
<tr>
<td>4/05/2008</td>
<td>Sat</td>
<td>Wall Street Leveraged Buyout (LBO) Modeling</td>
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professionals.
The exam covers four major areas:
  • Standards of conduct
    o Ethical
    o Professional
  • Investment tools
    o Quantitative Methods
    o Economics
    o Financial Statement Analysis
    o Corporate Finance
  • Asset valuation
    o Analysis of Equity Investments
    o Analysis of Debt Investments
    o Analysis of Derivatives
    o Analysis of Alternative Investments
  • Portfolio management

There are three levels of exams. Level I is offered twice a year while the others are offered once a year. Level I has 240 multiple-choice questions; Level II has 20 Item Sets; and Level III has 10 item sets and 10-18 Constructed Responses. An Item Set is a vignette with 6 multiple choice questions. A Constructed Response is a discussion-type or problem-solving question.

(From left to right: Shepard Buckman, Dr. Michael McMillian, and Mr. James Bailey)

After finishing the PowerPoint presentation, Dr. McMillian introduced Mr. James Bailey, vice-president of Resolute Capital Management L.L.C. Mr. Bailey received his CFA charter in 1999, and currently serves on the Board of Directors of the CFA Society of Washington as Chairman of the Education Committee. He has also served as a grader of the CFA exam.

Mr. Bailey recommends the CFA charter for any professional in the investment field. In the past, the CFA Institute provided a long list of books to prepare for the exam. Not only did enrollees have to buy many books but they had to buy them knowing that only a few chapters in each book would be covered. Recently the CFA Institute replaced that list by bundling the registration and material in one single fee. The bundled material has practice problems taken from prior exams at the end of each chapter. The Institute also provides practiced exams for enrollees.

The Institute estimates that the preparation for the Level I exam takes about 200 hours. The topics covered by the exams are based on Statement of Learning Outcomes (SLOs). No question can be included in the exam that is not covered by a SLO. A review of the Carey Business School curriculum showed that it complies with the SLOs. The CFA Society of Washington provides twenty exam scholarships. For more information on how to apply for a scholarship visit their Web site.

The final speaker was Mr. Shepard Buckman, associate vice president and portfolio manager at Morgan Stanley. He has an MBA with a concentration in Finance from Johns Hopkins University, and a bachelor of science degree with Special Attainments in Commerce from Washington & Lee University. He received his CFA charter in 2006.

Mr. Buckman spoke in depth about his experience in preparing for the exam. He emphasized the fact that one must be highly motivated even to prepare for the exam because it will require considerable time on top of what the average Carey student already gives to a full-time job and part-time MBA course load. In terms of the relationship between the examinations, Buckman said that for those who do pass the first exam (roughly 30-40% of those who take it), the second and third exams are less difficult in comparison. He sees the first examination essentially as the litmus test for whether a student of finance has CFA potential.

Buckman spoke highly about the connection between his Carey classes and CFA preparation. He said that his finance concentration courses prepared him very well for his CFA testing and recommended that students try to coordinate their MBA coursework with their CFA studying period so that concepts can be reinforced and best understood as taught by professors in the classroom.

In perhaps his most striking statement about receiving his CFA, Buckman said that the CFA literally opens doors and gets phone calls returned where they otherwise would not be. He said people around the world have a profound respect for and trust in those who have received the CFA. Clearly, aside from the tremendous intellectual accomplishment that a CFA provides and proves, there are serious professional benefits just in having the certification itself.

One of the most exciting announcements made during the Open House was the following: The Carey Business School is trying to establish a partnership with the CFA Institute. The School is awaiting the new Dean to formally establish the partnership.

Send comments or suggestions to Marisa.greenwald@gmail.com